

## Message Text

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PAGE 01 BUCAR 03048 261155Z

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 USIA-06 AID-05 EB-08

NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 DODE-00 PM-04 H-01 L-03 PA-01

PRS-01 /090 W

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 2949

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E.O. 11652: N/A

TAGS: ECON, RO

SUBJECT: ECONOMIC GLEANINGS FROM JOINT SESSION OF CC, GNA, AND  
SUPREME COUNCIL OF ECONOMIC AND SOCIAL DEVELOPMENT

REF: BUCHAREST 2755

1. SUMMARY. IN ECONOMIC SEGMENT OF HIS SPEECH TO MARCH 28-29  
JOINT SESSION OF CC, GNA, AND SUPREME COUNCIL OF ECONOMIC  
AND SOCIAL DEVELOPMENT, CEAUSESCU REVIEWED THE PLAN RESULTS  
OF 1976 AND LAUDED THE ECONOMIC RESULTS OF THE 1977 PLAN  
THROUGH FEBRUARY. HE STRESSED THAT DESPITE THE EARTHQUAKE  
ON MARCH 4, THE CURRENT ANNUAL PLAN WOULD BE MET OR SURPASSED  
AND THAT THE FIVE YEAR PLAN TARGETS WOULD BE ACHIEVED.  
CEAUSESCU'S THEME WAS THE STANDARD CALL FOR TAKING THE  
SLACK OUT OF THE ECONOMY, REDUCING EXPENSES ON MATERIALS  
NEEDED FOR PRODUCTION AND USING DOMESTIC MATERIALS WHERE  
POSSIBLE. IN THE INTERNATIONAL SPHERE THE NEED TO INCREASE  
THE VOLUME OF EXPORTS THROUGH IMPROVED QUALITY WAS STRESSED  
AND OVERTURES WERE MADE TO THE THIRD WORLD. CEAUSESCU  
CALLED FOR A MEETING IN MAY OF DEVELOPING COUNTRIES  
POSSIBLY IN CONJUNCTION WITH COUNTRIES OF THE NON-  
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PAGE 02 BUCAR 03048 261155Z

ALIGNED MOVEMENT TO PARALLEL THE ECONOMIC SUMMIT  
PLANNED BY THE DEVELOPED NATIONS OF THE WEST. END  
SUMMARY.

2. ANNUAL PLAN RESULTS WERE REVIEWED (1976 BUCHAREST 4427)  
IN REPETITION OF PREVIOUSLY PUBLISHED DATA IN THE OPENING  
SESSION. IT WAS NOTED THAT AT THE END OF 1976 THE BASIC

BRANCHES OF INDUSTRY--METALLURGY, MACHINE BUILDING AND  
CHEMICALS CONSTITUTED 57 PERCENT OF TOTAL INDUSTRIAL PRODUCTION.

3. FOR JANUARY AND FEBRUARY, 1977, PLAN ACHIEVEMENT WAS  
REPORTED AS 102.4 PERCENT WHICH WAS TRANSLATED TO A  
12 PERCENT ANNUAL GROWTH RATE. THE VOLUME OF INVESTMENT  
WAS REPORTED UP 13 PERCENT OVER THE SAME PERIOD LAST  
YEAR. CEAUSESCU EMPHASIZED THAT THE 1977 PLAN WOULD STILL  
BE MET NOT WITHSTANDING THE EARTHQUAKE. HE STATED THAT  
OF 763 PRODUCING UNITS AFFECTED BY THE QUAKE ONLY 6 WERE  
NOT UNDER NORMAL OPERATION, AND EVEN THESE WOULD  
ON LINE BY MAY 1 (SEE COMMENT PARA 2 BUCHAREST 2755).

4. STRESSING THAT FYP WOULD BE MET AND SURPASSED,  
CEAUSESCU ADDED THAT IT WOULD BE SUPPLEMENTED BY  
CONSTRUCTION OF 160,000 ADDITIONAL APARTMENTS9/ CRUCIAL  
TO THIS GOAL IS THE ELIMINATION OF SLACK FROM THE  
ECONOMY BY INCREASING PRODUCTIVE EFFICIENCY  
TO MAKE FULL USE OF THE CURRENT STOCK OF FIXED ASSETS,  
PEGGED AT 560 BILLION LEI. IT WAS ALSO ADDED THAT  
SOCIAL PRODUCT WILL INCREASE BY 80 BILLION LEI OVER  
THE INITIAL FORECASTS OF THE CURRENT FYP DUE TO NEW  
PRODUCTION CAPACITY. CEAUSESCU EXHORTED THAT UTILIZATION  
INDICES OF MACHINES AND EQUIPMENT MUST BE INCREASED,  
MATERIAL EXPENSES MUST BE REDUCED AND QUALITY OF GOODS  
MUST BE IMPROVED. A CONGRESS OF WORKING PEOPLE'S COUNCILS  
WILL BE HELD IN MAY TO DEVELOP MEANS OF WORKER PARTICIPATION  
TO ENSURE ORDER, DISCIPLINE AND WORK RESPONSIBILITY. SINCE  
THE LARGER EMPHASIS SEEMS TO BE ON REDUCED MATERIAL EXPENSES  
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PAGE 03 BUCAR 03048 261155Z

THIS MIGHT WELL MEAN THAT THE QUALITY OF SOME GOODS DESTINED  
FOR DOMESTIC USE WILL DETERIORATE.

5. IN FURTHER REVISION TO THE FYP, CEAUSECU STATED THAT  
REAL WAGES OF WORKERS WOULD RISE BY AT LEAST 30 PERCENT  
INSTEAD OF THE PREVIOUSLY ANNOUNCED 18-20 PERCENT.  
CORRESPONDINGLY, SOCIAL EXPENDITURE WILL DECREASE BY  
A SIGNIFICANT AMOUNT. (COMMENT: TAKEN FROM OTHER COMMENTS  
IN THE SPEECH THE REDUCTION OF SOCIAL EXPENDITURES COULD  
BE EXPECTED TO BE 50 PERCENT OR HIGHER. IN VIEW OF  
THIS REDUCTION THE PAY RAISE IS NOT STARTLING. THE  
GENERAL VIEWS HEARD FROM EMBASSY CONTACTS INDICATES  
THAT THEY FEEL THIS "GIVE AND TAKE" WILL RESULT IN A  
NET LOSS IN REAL INCOME. END COMMENT.) CEAUSESCU  
ALSO ANNOUNCED THAT A NUMBER OF INSTITUTIONS WILL  
HAVE TO RELOCATE IMMEDIATELY (TWO MONTHS OR LESS)  
OUTSIDE OF BUCHAREST TO BE CLOSER TO THE ENTERPRISES  
THEY SERVE, THEREBY ELIMINATING WHAT CEAUSESCU  
TERMED THEIR "SEPARATION FROM REALITY." THE

INSTITUTES SPECIFICALLY MENTIONED WERE THOSE OF METALLURGY, GEOLOGY, LIGHT INDUSTRY AND MACHINE BUILDING. (COMMENT: A ROUGH ESTIMATE IS THAT MOVE WILL AFFECT ABOUT 15,000 WORKERS WHO WILL LOSE THEIR APARTMENTS IN BUCHAREST. BESIDES FORCING DECENTRALIZATION ONE PRESUMED REASON FOR THIS MOVE IS TO RELIEVE THE APARTMENT SHORTAGE IN BUCHAREST CAUSED BY THE QUAKE. END COMMENT.)

6. INTERNATIONAL TRADE WAS REPORTED AS ALSO BEING UNAFFECTED BY THE EARTHQUAKE. EXPORTS FOR THE FIRST TWO MONTHS OF 1977 WERE 20 PERCENT OVER THE CORRESPONDING PERIOD IN 1976. EXPORTS OF PLANT AND EQUIPMENT IN THE PRESENT FYP ARE TO TOTAL 15 BILLION LEI. PATAN ALSO COMPLAINED THAT SOME SECTORS, ESPECIALLY MACHINERY AND EQUIPMENT, HAD NOT YET SIGNED EXPORT OR IMPORT CONTRACTS FOR THE CURRENT YEAR, WHICH HAS CAUSED DIFFICULTY LIMITED OFFICIAL USE

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PAGE 04 BUCAR 03048 261155Z

IN ECONOMIC PLANNING. WITH REGARD TO TRADE BOTH CEAUSESCU AND PATAN MADE THE STANDARD CALL FOR MORE DIVERSIFICATION AND IMPROVED QUALITY OF EXPORT GOODS TO ENSURE A FAVORABLE TRADE BALANCE. A STRONG PITCH WAS ALSO MADE FOR TRADE EXPANSION AND PARTICIPATION IN THE INTERNATIONAL DIVISION OF LABOR WITH CONCENTRATION ON SOCIALIST AND "YOUNG, INDEPENDENT" COUNTRIES.

7. REPEATING STANDARD ROMANIAN INTERNATIONAL ECONOMIC THEMES, CEAUSESCU CALLED FOR ELIMINATION OF UNDERDEVELOPMENT AND INSTALLATION OF A NEW ECONOMIC ORDER BASED ON EQUITABLE COLLABORATION, ACCESS FOR ALL COUNTRIES TO ADVANCED TECHNOLOGY AND A JUST RELATION AMONG RAW MATERIAL, AGRICULTURAL AND INDUSTRIAL PRICES. A REVIEW OF RELATIONS WITH ALL PARTS OF THE WORLD WAS GIVEN AND PARTICIPATION IN THE GROUP OF 77 AND THE NON-ALIGNED MOVEMENT WAS STRESSED. IN ADDITION TO EXPRESSING SUPPORT FOR CONFERENCES PROPOSED BY SOVIET UNION IN AREAS OF TRANSPORT, ENERGY AND ENVIRONMENT, CEAUSESCU ALSO SUGGESTED A CONFERENCE IN MAY FOR DEVELOPING AND POSSIBLY NON-ALIGNED NATIONS TO PARALLEL THE WESTERN ECONOMIC SUMMIT.

8. COMMENT: SOVIET EMBASSY HERE, WHICH TENDED TO MINIMIZE LOSSES SUFFERED IN 1975 FLOODS, BELIEVE THAT CEAUSESCU WILL BE ABLE TO MAKE GOOD ON HIS COMMITMENT TO MEET ANNUAL PLAN TARGET. SOVIET POSITION IS FOREIGN ASSISTANCE RECEIVED OR IN PIPELINE, CONTINUATION OF "VOLUNTARY OVERTIME", AND SALARY CONTRIBUTIONS CAN MAKE UP FOR EARTHQUAKE LOSSES. FROM EXTREMELY FRAGMENTARY DATA WE HAVE AVAILABLE WE HAVE NOTHING TO SUGGEST

THAT ANNUAL PLAN TARGET IS UNATTAINABLE, ALTHOUGH WE ARE  
EXTREMELY DUBIOUS THAT ROMANIA WILL BE ABLE TO RECOUP  
LOSSES TO HOUSING AND OTHER CAPITAL STOCK IN FORE-  
FFEADE FUTURE DESPITE OPTIMISTIC ROMANIAN COMMENTS.  
MOREOVER, WE THINK IT AXIMATIC THAT RECOVERY OF LOSSES  
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PAGE 05 BUCAR 03048 261155Z

WILL BE IRREGULAR, WITH SOME INDUSTRIES EXCEEDING  
TARGETS WHILE OTHERS LAG BEHIND. THIS SUGGESTS OF  
COURSE THAT THERE WILL BE INCREASING, POSSIBLY UNSALABLE,  
INVENTORIES OF SOME PRODUCTS PALANCED BY SIGNIFICANT  
SHORTFALLS OVER RANGE OF FINAL GOODS WWHERE PRODUCTION  
OF NECESSARY INTERMEDIATE PRODUCTS HAS BEEN DELAYED  
OR NOT FULLY RESTORED.  
BARNES

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## Message Attributes

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